

VZCZCXR05761

PP RUEHCHI RUEHDT RUEHFK RUEHHM RUEHKSO RUEHNH RUEHPB

DE RUEHKL #0422/01 1491052

ZNY CCCCC ZZH

P 291052Z MAY 09

FM AMEMBASSY KUALA LUMPUR

TO RUEHC/SECSTATE WASHDC PRIORITY 2787

INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY

RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE PRIORITY

RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION PRIORITY

RUEHRC/USDA FAS WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

RUEHGV/USMISSION GENEVA PRIORITY 1732

C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000422

SENSITIVE

SIPDIS

DEPT FOR EEB/TPP/BTA AND EAP/MTS,
TREASURY FOR OASIA AND IRS,
STATE PASS FOR USTR - WEISEL AND EHLERS,
STATE PASS FOR FEDERAL RESERVE AND EXIMBANK,
STATE FOR FEDERAL RESERVE SAN FRANCISCO TCCURRAN,
USDOC FOR 4430/MAC/EAP/J.BAKER,
USDA FAS FOR OA/BIG, ITP/AAD,
COMMERCE FOR 4430/MAC/MICHAEL HOGGE,
GENEVA FOR USTR

E.O. 12958: DECL: 11/12/2018

TAGS: ECON ECIN ETRD SOCI PGOV PTER MA

SUBJECT: AMBASSADOR'S MEETING WITH MALAYSIA'S NEW MINISTER
OF INTERNATIONAL TRADE AND INDUSTRY

Classified By: Economic Counselor Matthew J. Matthews, reason 1.4 (b and d).

¶1. (C) Summary: Malaysia's new Minister for Trade and Industry told the Ambassador during their initial meeting that the Najib government was completing an FTA stocktaking exercise and he hoped to have an opportunity to meet USTR Kirk on the margins of the Cairns Group to discuss how to move forward on the negotiations. The Ambassador noted that the U.S. was holding its own trade policy review and it would be necessary for Malaysia to signal it was ready to negotiate the FTA with a comprehensive mandate to break the impasse. The Ambassador also raised U.S. concerns about the trade restrictive nature of Malaysia's new halal standards and its ban on pork imports which Malaysia needed to notify the WTO of such measures in a timely fashion and Mustapa offered to look into these issues. The Ambassador encouraged Malaysia to move forward on export control legislation and related training and suggested that Malaysia begin to consider trade policy linkages of future carbon trading proposals that could be discussed at the COP-15 Conference in Copenhagen. Mustapa promised to look into these issues as well. End Summary.

¶2. (C) Comment: Mustapa was well prepared, at ease and upbeat during the meeting. He a key member of PM Najib's team and a serious interlocutor. He clearly signaled Malaysia's interest in continuing our bilateral FTA negotiations and indicated that Malaysia's ongoing policy stocktaking exercise was designed to create more negotiating flexibility. A bilat on the margins of the Cairns Group meeting may not be possible given logistical constraints, but a pull aside with USTR Kirk could provide Mustapa with the opportunity to indicate if Malaysia will be able to table a comprehensive FTA negotiating mandate. End Comment.

FTA and Trade Issues

¶3. (C) During an initial meeting with the Ambassador, Malaysia's new Minister for International Trade and Industry Mustapa Mohamad expressed hope for bilat meeting with USTR Ron Kirk on the margins of the June Cairns Group meeting to discuss WTO issues and the FTA. Noting that it had been

nearly a year since the last FTA round, Mustapa said, and the Najib administration was now completing a stocktaking exercise to see how Malaysia could move forward on the FTA. He said he would be looking for an indication from the US side on how to move forward. The Ambassador noted that the Obama Administration was conducting a trade policy stocktaking exercise as well and suggested to Minister Mustapa that it would be necessary for Malaysia to signal that it had a cabinet mandate to negotiate on all issues covered in the FTA negotiations to move things forward. Mustapa promised to touch base with the Ambassador when he was prepared to reply and he expected the Malaysian stocktaking exercise would be completed in the next four to six weeks. In a pull aside at the end of the meeting, Mustapa responded to the Ambassador's suggestion that the way to advance was for Malaysia to signal it had a mandate to address all issues in the FTA. Mustapa indicated he was engaged in an effort to do just that.

Possible Visit to Washington

¶14. (C) Mustapa noted that PM Najib had been pleased with the results of Foreign Minister Anifah's recent visit to Washington, particularly his meeting with Secretary Clinton. Mustapa added that in accordance with the PM's clear instruction to increase senior level interaction, he too would be looking for an early opportunity to visit Washington in two to three months time for official meetings with USTR and other counterparts. Building on the positive momentum created by Foreign Minister Anifah's recent meeting with Secretary Clinton was a high priority for PM Najib, he said, and everyone needed to fall in line with the PM's thinking on

KUALA LUMP 00000422 002 OF 002

this. Ambassador Keith agreed that FM Anifah's visit to the U.S. had gone well and welcomed additional cabinet level visits to strengthen our senior-level bilateral dialogue.

Importance of Export Control Law

¶15. (C) The Ambassador noted to Minister Mustapa that export controls was one high priority area in our bilateral relationship where progress was needed. The Ambassador told Mustapa that the MFA was moving slowly on preparing the draft export control law and was not moving to facilitate export control training, including training on export licensing that was relevant for MITI. Mustapa noted that MFA had the lead but agreed that MITI had an interest on the licensing side and would look into the training issue.

Pork Ban and Halal Issues

¶16. (SBU) Raising concerns about Malaysia's imposition of a ban on pork imports, the Ambassador told Minister Mustapa that the ban was not science-based and should have been notified to the WTO. The Ambassador pointed out that Malaysia also had failed to notify the WTO on certain new halal standards which were trade restrictive. Mustapa said the pork ban was just a precautionary measure but agreed to have his staff check to ensure that the responsible agencies were meeting WTO reporting requirements on this measure. Recalling his previous job as Agriculture Minister, Mustapa said halal was a bit more complicated but again offered to follow up and ensure that Malaysia was meeting its obligation to notify the WTO of new measures which affected trade.

Climate Change and Energy Policy

¶17. (SBU) In preparations for the COP-15 climate change conference in Copenhagen later this year, the Ambassador suggested to Minister Mustapa that MITI might find it useful to coordinate with ministries that were responsible for environmental policy as issues relating to carbon trading potentially had significant implications for trade policy. Mustapa agreed that this would be a big issue and that MITI would need to consult with other ministries on it. With the

climate change discussions in mind, the Ambassador also suggested that it was time for Malaysia to develop its new energy policy. Mustapa assured the Ambassador that internal discussions were underway on this topic, recalling a recent discussion he had with Exxon Mobil Managing director on the importance of having an updated energy policy to ensure future foreign investment in this key sector.

KEITH